

# INDUSTRY UPDATE

Biweekly Period Ending December 16, 2000

## **Phoenix Metro Area**

### ***Construction***

Short on space for its workers, the **state of Arizona** will **begin work in March** on the first of **several planned office projects** in the Capitol Mall District of Phoenix. Developer **Opus West** will build the first of two office structures, totaling 485,000 square feet, for the departments of Administration and Environmental Quality on Washington Street between 12<sup>th</sup> and 15<sup>th</sup> avenues. **Completion of the first office building** is planned for **July 2002**. Up to 11 new office buildings costing \$250 million may be built in the Capitol Mall -- bounded by 7<sup>th</sup> and 19<sup>th</sup> avenues on the east and west, and Van Buren Street and the railroad tracks on the north and south -- over the next decade.

### ***Transportation, Communications, and Public Utilities***

Phoenix-based **Swift Transportation** has **acquired M.S. Carriers** of Memphis, Tenn., making the Valley business the dominant player in the trucking industry. Swift expects the \$382 million purchase, by way of a stock swap, to save it money in a number of areas -- fuel, equipment, administrative services, and driver recruitment -- and expand its presence in the East and in Mexico. **Neither company expects layoffs**, and potentially Swift could significantly expand its employment base as smaller trucking firms fall by the wayside. Swift currently employs about 11,000, while M.S. Carriers has about 4,700 employees.

### ***Trade***

**Target Stores** plans to **build a western U.S. distribution center** in west Phoenix that will **employ about 1,000 workers** when it opens

in **June 2002**. The Minneapolis-based department store chain expects the 1.5 million-square-foot facility, which will be located near Interstate 10 between 71<sup>st</sup> and 75<sup>th</sup> avenues, to handle product distribution for Target stores in Arizona, Southern California, and Nevada. In addition to the new warehouse, **Target is building a \$17 million credit-card servicing center** in Tempe (Interstate 10 and Warner Road) that is expected to eventually **employ between 500 and 600 people**.

### ***Services***

With costs rising sharply and revenues stable or declining, many of the components of the Phoenix-area health care industry are struggling to make ends meet. At the same time, strong Valley demographics (rapid population growth, aging of the baby boomers) have led these same companies to announce plans for several new facilities over the next few years. In mid-December, Arizona's largest health-maintenance organization, **PacifiCare**, announced it **laid off 500 employees nationally, including 40 in Phoenix and Tucson**. This, despite the fact the HMO added 6,000 new members during the previous quarter. And PacifiCare is one of several Arizona HMOs, including Intergroup, which are struggling for profitability. Then there are the full-service hospitals. One of the state's largest hospitals, **St. Joseph's Hospital and Medical Center** in Phoenix, recently told its 4,000 employees that, excluding nurses and other care givers, **layoffs are possible** after the first of the year. St. Joseph's said that cost-cutting measures put into effect in September are not stemming the flood or red ink -- currently \$3.5 million over budget. Shorter stays and cutbacks in insurance payments are the primary cause of the shortfall, the hospital said.

But at the same time, St. Joseph's parent company, **Catholic Healthcare West**, recently announced plans for a **new hospital in the east Valley** (see Oct. 21, 2000 *Industry Update*), plus it is looking at **acquiring land** in the **west Valley** for a new facility, according to *The Business Journal*. Also, **Good Samaritan Regional Medical Center** in Phoenix recently **eliminated 17 administrative positions**. However, the company that recently was formed by the merger of the Good Samaritan and Lutheran health systems, **Banner Health System**, announced it will **move** its **corporate headquarters** from Fargo, N.D., to **Good Samaritan's Phoenix campus**. With more than 24,000 employees in 14 states, Banner's home office could provide the Valley with many more administrative positions. In addition, **Banner** said it expects to **open a new west Valley hospital** at Interstate 10 and Loop 101 **by 2003**. That's on top of plans previously announced (pre-merger by Good Samaritan) for a **new facility in Gilbert**. Finally, **Valley hospitals** are continuing to **close nursing home units**. John C. Lincoln Hospital-North Mountain, Phoenix Memorial Hospital, and Scottsdale Healthcare-Osborne announced in October the closure of their facilities, bringing to **nine** the number of Phoenix-area **hospitals** that have **closed nursing facilities** in the past year. A reduction in Medicare payments is primarily blamed for the closures.

**Integrated Information Systems (IIS)** of Tempe will **lay off** one-fifth of its workforce, or **110 employees**, due to slack demand for its Web design and e-commerce management services. This shows how quickly things can change in the technology industry. In July, the Arizona Department of Commerce awarded IIS a \$1.6 million grant to help train up to 1,500 new employees over two years (see July 29, 2000, *Industry Update*). At that time, the 12-year-old company was adding about 50 employees a month.

Hit harder by the Internet fallout, Phoenix-based **ClearData** is **shutting its doors**, after failing to acquire \$75 million in investor funding. Started in June 1999, ClearData pro-

vided commercial and individual Web-hosting and related services. About **40 Phoenix-area employees** will be **let go**, but at one time ClearData had 300 employees nationally and 120 in the Valley.

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## **Balance of State**

### **Manufacturing**

Seeking a more stable workforce, a **Chandler cabinet-door maker** plans to **move** the company, and **75 jobs, to Payson**. Only a **few of The Door Stop's employees**, who make an average wage of \$28,000 a year, are expected to **follow the company** to the Rim Country. The Payson Town Council is attempting to sell or lease land near the Payson Airport for a new 40,000-square-foot facility that could be expanded to 80,000 square feet.

### **Transportation, Communications, and Public Utilities**

Without regularly scheduled air service since 1996, **Laughlin/Bullhead International Airport** will have **nonstop service six days a week** to three California cities and Phoenix starting in mid-January. **Air Laughlin** will operate Sunday through Friday, with one flight to each city, using Boeing 737-200 aircraft.

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# **INDUSTRY UPDATE**

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